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C O N F I D E N T I A L SECTION 01 OF 03 MOSCOW 000145

SIPDIS

DEPT FOR EUR/RUS, EEB/ESC/IEC GALLOGLY AND GREENSTEIN,
S/EEE MORNINGSTAR
DOE FOR HEGBURG, EKIMOFF
DOC FOR JBROUGHER
NSC FOR MMCFAUL
USTR FOR MURPHY AND HAFFNER

E.O. 12958: DECL: 01/21/2020
TAGS: [EPET](#) [ENRG](#) [ECON](#) [PREL](#) [RS](#) [TU](#)
SUBJECT: (C) TURKISH EMBASSY READOUT INDICATES LITTLE FRUIT
FROM ERDOGAN VISIT

REF: A. ANKARA 92
[1](#)B. MOSCOW 104

Classified By: ECON MC Matthias Mitman for reasons 1.4 (b/d)

SUMMARY

[1](#)1. (C) Press reports and some public statements by Russian and Turkish officials to the contrary, Turkish PM Erdogan's Jan. 12-13 visit to Moscow (ref A) appears to have yielded few concrete results. Although Turkish diplomats hailed strengthening ties between Russia and Turkey, the details they offered on the visit indicated little was accomplished. The visit resulted in two concrete, but seemingly minor, deliverables. One was an ostensibly vague "joint declaration" on nuclear cooperation and the other an agreement on the quarantine of plants. Trade volume, praised by both sides, is largely driven by Russian hydrocarbon exports, the prices of which were at record highs in 2008. Medvedev rejected Erdogan's proposals on Armenia and Cyprus. Although Russian-Turkish relations appear strong and positive, the hype surrounding the visit seems to exceed the facts. End summary.

ONLY TWO CONCRETE "AGREEMENTS"

[1](#)2. (C) According to a readout by the Turkish Embassy for a select group of diplomats (including us, some western Europeans, Koreans, South Africans, and Israelis), the January 12-13 visit of Turkish PM Erdogan to Moscow yielded only two concrete results, neither of which seem particularly weighty. One was a "joint declaration" (not public) by DPM Igor Sechin and Turkish Minister of Energy and Natural Resources Taner Yildiz on cooperation with regard to nuclear power. According to our Turkish counterparts, the gist of the declaration was "Russia expressing interest in sharing technology and expertise and Turkey being willing to cooperate on nuclear energy." The other agreement, which our counterparts mentioned with an almost derisive giggle, was on the quarantine of plants. They did not provide any further explanation of that agreement.

[1](#)3. (C) These concrete results of the visit contrast with press headlines and public statements by government officials

touting the outcomes of the visit. Despite a suggestion by PM Putin to the contrary, the Turkish Embassy reported no agreement was reached on the South Stream gas pipeline, nor was there a commitment by the Turkish government on construction of the pipeline across its Black Sea waters. There was also no agreement on Russian participation in the Samsun-Ceyhan oil pipeline or "asset swaps" in the energy sector, both of which were outcomes to which Putin alluded. On the nuclear side, Turkish emboffs said there is a commitment by both sides to build a nuclear power plant in Turkey, but that the project for which a Russian-led consortium won a tender has been effectively canceled due to a lawsuit by a Turkish NGO. (Comment: This is one in a series of announcements of aspirations for Russia to build new plants, both inside and outside of Russia. Russia does not have the capacity to fulfill all these rather vague plans. For the moment, we do not see any evidence that this deal has a higher priority than similar announcements for India, China and the domestic market. End comment.)

RUSSIAN OIL AND GAS DOMINATES TRADE

¶4. (SBU) Turkish Embassy officials touted the volume of two-way trade between the two countries, which they said reached \$38 billion in 2008. However, when pressed for details, they conceded that trade was dominated by Russian exports of hydrocarbons. They told us Russian exports to Turkey in 2008 amounted to more than \$32 billion, of which "70% - 75%" constituted oil and gas, with the rest mostly

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exports of raw materials. (Note: The \$38 billion figure was reached in a year in which oil prices and gas prices peaked. End note.) According to our Turkish counterparts, both Russian exports to Turkey and Turkish exports to Russia were off about 40% in 2009, although final figures are not yet in. The \$100 billion target for two-way trade between Russia and Turkey proposed by both Prime Ministers during the visit would thus seem more dependent on the price of oil than any deepening or broadening of the economic relationship.

POULTRY

¶5. (SBU) PM Putin suggested during the visit that Turkish poultry imports could replace U.S. poultry, which has recently been banned due to use of chlorine during processing (ref B). Turkish Embassy officials explained that the allusion related to possible renewed imports of Turkish poultry, which has been proscribed for the past two years due to avian flu concerns.

TOURISM, VISAS, CURRENCY

¶6. (SBU) A particularly important aspect of the economic relationship -- travel by Russians to Turkey -- apparently survived the financial crisis. Turkish Embassy officials told us that some three million Russians traveled to Turkey in 2009, down only 1% from 2008. They also said that the two governments have started the process of easing the visa regime to facilitate travel.

¶7. (SBU) Turkey and Russia both also expressed interest in conducting more trade in their national currencies. According to Erdogan and the Turkish Embassy, two Turkish banks are already capable of conducting transactions in rubles.

NAGORNO-KARABAKH, ARMENIA, IRAN, CYPRUS

¶8. (C) Our Turkish colleagues acknowledged that they were not privy to the contents of the Medvedev-Erdogan meeting, during which political issues were raised. On Iran, Turkish diplomats said only that the two sides agreed that "the Iran nuclear issue should only be settled through diplomatic means."

¶9. (C) On Cyprus, we learned through the MFA that Erdogan asked Medvedev to lean on the Republic of Cyprus to discuss recent Turkish Cypriot proposals. According to the MFA, Erdogan also asked Medvedev to pressure Armenia to ratify the Turkey-Armenia rapprochement protocols before the April anniversary of the Armenian "genocide." Medvedev declined both of Erdogan's entreaties. Our Turkish colleagues contended that Ankara and Moscow were closer than ever on Nagorno-Karabakh, in that both sides wanted a solution that satisfied all parties, and considered the current situation a window of opportunity.

COMMENT

¶10. (C) Turkish-Russian political and economic relations remain important to both sides, as underscored by the five ministers who accompanied Erdogan to Russia, and by meetings with all top-tier Russian political leaders including DPMs Sechin and Zubkov. An upcoming visit to Turkey by President Medvedev in May or June will continue to promote the bilateral relationship. However, the Erdogan visit achieved much less than the press indicated, with Medvedev's rejection of Erdogan's political proposals especially notable. Russia-Turkey economic relations, like the Russian economy as a whole, remains dominated by Russian exports of oil, gas, and raw materials, and future bilateral trade volumes will be

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primarily determined by world prices for these commodities.
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